



# PRESS RELEASE

## Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

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IRS – Criminal Investigation

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### **Former United States Tax Court Judge and Husband Indicted for Conspiracy to Commit Tax Evasion and Obstruction of an IRS Audit**

*Diane Kroupa Filed Fraudulent Tax Returns While a Sitting U.S. Tax Court Judge  
Kroupa and Her Husband Conspired to Evade More Than \$400,000 in Federal Taxes*

U.S. Attorney Andrew M. Luger for the District of Minnesota today announced a federal indictment charging Diane L. Kroupa, 60, and her husband, Robert E. Fackler, 62, with conspiring with each other to evade assessment of taxes. Each defendant is charged with conspiracy, tax evasion, making and subscribing false tax returns and obstruction of an Internal Revenue Service (IRS) audit. The defendants are expected to appear later this week in U.S. District Court in Minneapolis, Minnesota.

“As a former tax court judge, Kroupa dealt regularly with individuals who cheated on their taxes, which makes these allegations particularly troubling,” said Chief Richard Weber of the IRS-Criminal Investigation. “Reporting personal expenses as business expenses on your tax returns is not tolerated, regardless of your job or position. We expect all taxpayers to follow the law –whether you are a business owner, individual, or government official – we all must play by the same rules and pay our fair share.”

“The allegations in this indictment are deeply disturbing,” said U.S. Attorney Andrew Luger. “The tax laws of this country apply to everyone, and those of us appointed to federal positions must hold ourselves to an even higher standard.”

According to the indictment and documents filed in court, between 2004 and 2012, Kroupa and Fackler conspired to evade their tax obligations. Kroupa was appointed to the U.S. Tax Court on June 13, 2003, for a term of 15 years, but she retired on June 16, 2014. During the same period, Fackler was a self-employed lobbyist and political consultant who owned and operated a business known as Grassroots Consulting. From 2004 to 2013, Kroupa and Fackler owned a home in Minnesota. From 2007 to 2013, they also leased a second residence in Maryland.

According to the indictment and documents filed in court, as part of the conspiracy to defraud the United States, Kroupa and Fackler fraudulently claimed personal expenses as

Grassroots Consulting business deductions. They fraudulently claimed the following personal expenses as deductible business expenses: rent and utilities for the Maryland home; utilities, upkeep and renovation expenses of the Minnesota home; pilates classes; spa and massage fees; jewelry and personal clothing; wine club fees; Chinese language tutoring; music lessons; personal computers; and expenses for vacations to Alaska, Australia, the Bahamas, China, England, Greece, Hawaii, Mexico and Thailand.

According to the indictment and documents filed in court, Kroupa and Fackler made a series of other false claims on their tax returns, including failing to report approximately \$44,520 that Kroupa received from a 2010 land sale in South Dakota. The defendants falsely claimed financial insolvency to avoid paying tax on \$33,031 on cancellation of indebtedness income.

According to the indictment and documents filed in court, in 2006, Kroupa and Fackler concealed documents from their tax preparer and an IRS Tax Compliance Officer during an audit. During a second audit in 2012, Kroupa and Fackler caused misleading documents to be delivered to an IRS employee in order to convince the IRS employee that certain personal expenses were actually business expenses of Grassroots Consulting.

According to the indictment and documents filed in court, between 2004 and 2010, Kroupa and Fackler purposely understated their taxable income by approximately \$1 million and purposely understated the amount of tax they owed by at least \$400,000.

This case is the result of an investigation conducted by the IRS-Crimination Investigation and the United States Postal Inspection Service.

Assistant U.S. Attorneys Benjamin Langner and Timothy Rank are prosecuting the case.

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